

EXHIBIT 99

Network Equipment Technologies Announces Final Results for Q3 Fiscal 2006

Fremont, CA, January 18, 2006 – Telecommunications equipment maker Network Equipment Technologies, Inc. (NYSE: NWK), today reported its final results for the third quarter of fiscal 2006.

For the third quarter of fiscal 2006, total revenue was \$16.4 million, down from \$21.6 million in the prior quarter and \$29.7 million in the same period of the prior year. Product revenue was \$13.7 million, down from \$18.1 million in the prior quarter and \$25.4 million in the same period of the prior year.

Net loss for the quarter was \$6.2 million, or \$0.25 per share, compared to a net loss of \$5.7 million or \$0.23 per share in the prior quarter and a net loss of \$2.9 million, or \$0.12 per share for the same period of the prior year.

Cash balances at the end of the quarter were \$89.7 million, compared to \$94.6 million in the prior quarter, and \$104.7 million, including \$697,000 of long-term restricted cash included in other assets, for the same period of the prior year.

President and CEO C. Nicholas Keating remarked, “In the third quarter, our revenues were down significantly as our government business was hurt by further project and budget delays. We are aggressively pursuing our new product initiatives and distribution partnerships, but these efforts will take some time to provide revenue. During this time, we have continued to reduce operating expenses and we remain focused on cash management, as evidenced by our continued strong cash position at quarter end.”

Keating continued, “I am very pleased with the product strategy that we are working on for our two primary markets: government and enterprise. The new network exchange product we are jointly developing with Bay Microsystems will be aimed

initially at government applications, including high-speed SAN to WAN communications and secure grid computing, but its high performance can serve new applications and markets in the future. We are also working on a much smaller IP-based product designed for tactical military and disaster preparedness applications, which will inter-operate with existing Promina networks. And our new voice exchange platforms, based on our Shout platform, will allow enterprises to invest in new VoIP applications today, with equipment perfectly suited to the coming convergence of mobile corporate communications, including Voice-over-WiFi and dual-mode cellular and wired connections.”

Highlights:

- Entered partnership with Bay Microsystems to deliver a secure high-speed multiservice platform to switch and aggregate data at full line rates of 10 gigabits per second.
- Launched a new “voice exchange” strategy, under which our Shout product will form the basis of a new “Universal Voice Exchange” platform, the VX Series, to further the conversion of TDM to IP traffic and the convergence of voice traffic from desktop applications to mobile corporate communications.
- Received initial orders related to USMC Transition Switch Module (TSM) and US Army Joint Network Nodes (JNN) for ultimate use in the WIN-T initiative.
- Named Talbot Harty as Vice President of Marketing and Chief Technology Officer, Terry Fore as Vice President of Operations, and David Wagenseller as Vice President of Finance.

About Network Equipment Technologies, Inc.

Network Equipment Technologies is a leading provider of networking equipment that enables its customers to adapt to a broadband future. An architect of the networking industry, N.E.T. has been supplying service providers, governments and enterprises around the world with networking technology for more than 20 years.

Visit www.net.com for more information.

Forward Looking Statements

This press release contains forward-looking statements relating to products, revenue, expenses, cash balances, existing and potential strategic relationships, product development initiatives, and possible future operating results within the meaning of the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934. Investors are cautioned that such statements are based on current expectations, forecasts and assumptions that involve risks and uncertainty that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. Factors that could affect such results include the volume and timing of orders and revenue, our ability to commercialize new products and product enhancements, the performance of strategic partners regarding product and marketing activities, and changes in the mix of products we sell and the potential reductions in margin as a result, as well as the factors identified in Network Equipment Technologies' Annual Report on Form 10-K for the year ended March 25, 2005, and its most recent Quarterly Report on Form 10-Q. Network Equipment Technologies disclaims any intention or obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

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Promina and SHOUT are trademarks of Network Equipment Technologies, Inc.

NETWORK EQUIPMENT TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except per share data)
(unaudited)

| | <u>Quarter Ended</u> | | <u>Nine Months Ended</u> | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | <u>Dec 30,</u> <u>2005</u> | <u>Dec 24,</u> <u>2004</u> | <u>Dec 30,</u> <u>2005</u> | <u>Dec 24,</u> <u>2004</u> |
| Revenue: | | | | |
| Product | \$ 13,687 | \$ 25,363 | \$ 46,539 | \$ 77,217 |
| Service and other | <u>2,665</u> | <u>4,314</u> | <u>9,821</u> | <u>13,153</u> |
| Total revenue | <u>16,352</u> | <u>29,677</u> | <u>56,360</u> | <u>90,370</u> |
| Costs of sales: | | | | |
| Cost of product revenue | 6,647 | 10,381 | 20,888 | 29,571 |
| Cost of service and other revenue | <u>2,484</u> | <u>4,081</u> | <u>8,824</u> | <u>12,411</u> |
| Total cost of sales | <u>9,131</u> | <u>14,462</u> | <u>29,712</u> | <u>41,982</u> |
| Gross margin | 7,221 | 15,215 | 26,648 | 48,388 |
| Operating expenses: | | | | |
| Sales and marketing | 5,061 | 6,629 | 18,227 | 21,180 |
| Research and development | 5,563 | 6,134 | 17,334 | 20,075 |
| General and administrative | 3,053 | 2,514 | 8,040 | 7,623 |
| Restructuring costs (benefit) | (90) | <u>2,846</u> | <u>1,825</u> | <u>4,117</u> |
| Total operating expenses | <u>13,587</u> | <u>18,123</u> | <u>45,426</u> | <u>52,995</u> |
| Loss from operations | (6,366) | (2,908) | (18,778) | (4,607) |
| Other income (expense), net | (69) | 37 | (11) | 1,380 |
| Interest income (expense), net | <u>217</u> | (7) | <u>567</u> | (210) |
| Loss before taxes | (6,218) | (2,878) | (18,222) | (3,437) |
| Income tax expense (benefit) | <u>30</u> | <u>5</u> | (1,151) | (1,115) |
| Net loss | \$ (<u>6,248</u>) | \$ (<u>2,883</u>) | \$ (<u>17,071</u>) | \$ (<u>2,322</u>) |
| Per share data: | | | | |
| Net loss: | | | | |
| Basic | \$ (<u>0.25</u>) | \$ (<u>0.12</u>) | \$ (<u>0.69</u>) | \$ (<u>0.10</u>) |
| Diluted | \$ (<u>0.25</u>) | \$ (<u>0.12</u>) | \$ (<u>0.69</u>) | \$ (<u>0.10</u>) |
| Common and common equivalent shares: | | | | |
| Basic | <u>24,630</u> | <u>24,597</u> | <u>24,674</u> | <u>24,332</u> |
| Diluted | <u>24,630</u> | <u>24,597</u> | <u>24,674</u> | <u>24,332</u> |

NETWORK EQUIPMENT TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

| | Dec 30, <u>2005</u> | Mar 25, <u>2005</u> |
|---|--------------------------------------|--------------------------------------|
| Assets | | |
| Cash and investments | \$ 89,744 | \$ 108,011 |
| Accounts receivable, net | 13,014 | 15,725 |
| Inventories | 12,554 | 13,274 |
| Prepaid expenses and other assets | <u>3,571</u> | <u>2,525</u> |
| Total current assets | 118,883 | 139,535 |
| Property and equipment, net | 21,887 | 26,318 |
| Software production costs, net | 1,750 | - |
| Other assets | <u>1,941</u> | <u>2,623</u> |
| Total assets | <u>\$ 144,461</u> | <u>\$ 168,476</u> |
| Liabilities and Stockholders' Equity | | |
| Accounts payable | \$ 5,558 | \$ 8,602 |
| Other current liabilities | <u>11,170</u> | <u>13,688</u> |
| Total current liabilities | 16,728 | 22,290 |
| Long term liabilities | 856 | 869 |
| 7 1/4% convertible subordinated debentures | 24,706 | 24,706 |
| Stockholders' equity | <u>102,171</u> | <u>120,611</u> |
| Total liabilities and stockholders' equity | <u>\$ 144,461</u> | <u>\$ 168,476</u> |